



GAIL FARBER, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
Telephone: (626) 458-5100
<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

IN REPLY PLEASE
REFER TO FILE:

B-0
A3734-3

February 1, 2012

TO: Each Supervisor

FROM: Gail Farber
Director of Public Works

BOARD MOTION OF SEPTEMBER 27, 2011, AGENDA ITEM 15 - FINAL REPORT ON THE FEASIBILITY OF IMPLEMENTING A PROACTIVE TRACKING SYSTEM FOR DEFAULTED OR FORECLOSED PROPERTIES IN THE UNINCORPORATED COUNTY

On September 27, 2011, your Board directed the Department of Public Works to work with the appropriate County departments, including Regional Planning, Public Health, Registrar-Recorder/County Clerk, County Counsel, and the Chief Executive Office, to research the feasibility of implementing a proactive tracking system for defaulted/foreclosed properties in the unincorporated County and report back to the Board.

On November 23, 2011, and December 23, 2011, Public Works submitted interim status reports on the motion. During this time, it was determined to include additional departments with subject matter background, including Consumer Affairs, Assessor, and the Community Development Commission. This is the final report regarding the feasibility of implementing a proactive tracking system for defaulted/foreclosed properties in the unincorporated County.

Background

There are currently code enforcement programs dedicated to resolving complaints regarding the substandard maintenance of properties and the securing of vacant structures located within the unincorporated areas of the County. Public Works' Property Rehabilitation Program provides for the abatement of neighborhood deterioration and the elimination of unsightly, unsafe, and unhealthful conditions. Public Works inspection staff typically investigates complaints within 24 hours and attempts to gain corrective action through the owner or party responsible for maintaining

the property. Their current workload is approximately 4,000 properties a year. Also, there is the Nuisance Abatement Team Program (NAT) comprised of a number of County departments, including Public Health, Regional Planning, Sheriff, District Attorney, Fire, and Animal Care and Control, that investigate an additional 2,000 properties a year. The NATs identify egregious code violations, cite properties where these violations have occurred, take steps to abate violations, and monitor for repeat violations. Both of these programs address foreclosure-related issues. Whenever foreclosed properties fall out of code compliance, Public Health, Public Works, and the other involved departments will work to ensure that health and safety violations are abated in a timely manner.

In December 2011, the Assessor reported there were 2,736 residential foreclosures out of a total of 242,308 single-family residential parcels in the unincorporated areas of the County. Public Works crosschecked this list of foreclosed properties with their code enforcement database and determined that property rehabilitation staff had responded to public complaints on approximately 570 of these properties.

A proactive tracking system for defaulted/foreclosed properties would utilize geographic information system technology to identify each property that receives a recorded Notice of Default (NOD), which is a first step in the foreclosure process. The Registrar-Recorder/County Clerk reports that they have information on all NODs recorded in the County and can provide this information via a file transfer protocol process. This information is indexed by the grantor/grantee and can be searched for through our Your Online Document Access system for those departments that currently have access. There is, however, no reference to a specific property identifier, such as the Assessor Identification Number or address in the system. If a process could be developed to provide this information, this data could then be mapped and used to initiate inspections of all such properties prior to receiving complaints from the public.

Foreclosure Process

California is a nonjudicial foreclosure State, so there is no need for a court action to initiate a foreclosure. The foreclosure process is as follows:

1. The lender records an NOD, which is public notification that the property owner has missed one or more monthly mortgage payments. The NOD can be recorded no less than 30 days after owner notification.
2. The owner has 90 days to cure the NOD through repayment or modification of the terms of the loan.

3. If the NOD is not cured, the lender will then record a Notice of Trustee Sale (NOTS). The Trustee sale is a public auction and cannot occur any less than 20 days after the public notice.

The minimum timeline to complete a foreclosure is 120 days; however, it can often take longer to conclude the process.

Other Jurisdictional Approaches to Managing Foreclosures

The Assessor reports there are over 24,000 foreclosed properties in the incorporated cities. A total of 14 cities within the County of Los Angeles have implemented foreclosure registries for properties going through the default process. These programs require lenders to perform a predefault inspection of the property, register the property with the jurisdiction, and pay a fee. Thereafter, the lender must perform periodic inspections to confirm the property is occupied and that maintenance is ongoing. Some jurisdictions require the lender to identify a local management company responsible to perform property maintenance. Deeds of Trust generally permit, but do not require, the lender to access the real property to perform repairs to prevent waste or deterioration of the real property.

The City of El Monte approved a Foreclosed Property Urgency Ordinance that requires lenders to inspect properties and verify occupancy within 10 days of recording an NOD and every 30 days thereafter. If a property is observed to be vacant, the lender must register with the City, pay a \$198 fee and a \$200 deposit, maintain the property to local standards, hire a local company to conduct weekly inspections, and post a 24-hour phone number for property maintenance and security concerns. There is also a fine for failure to timely register a property (from \$250 to \$1,000). Subsequent annual registrations are required for as long as the property remains vacant and unsold. The City of El Monte reports approximately 500 property registrations out of 17,900 total parcels (2.8 percent) within the City.

The City of Los Angeles adopted a Foreclosure Registry Program in 2010. Lenders must register with the City and pay an annual fee of \$155 within 30 days of the recordation of an NOD. The registration must include the name of a local company responsible for the maintenance and security of the property. The City charges a fine of \$250 a day for failure to timely register a property and can choose to enforce these requirements through administrative citations and criminal prosecution. This program is managed by dedicated staff at the City of Los Angeles Housing Department. The City of Los Angeles currently has a total of 607,465 parcels. The Assessor reports there are more than 11,000 foreclosed properties in the City of Los Angeles.

The other jurisdictions in the County that have implemented registries include the Cities of Baldwin Park, Bellflower, Claremont, Compton, Covina, Downey, La Mirada, La Puente, Lynwood, Montebello, Pasadena, and Santa Clarita.

Additional jurisdictions nationwide have also implemented foreclosure registry programs. The City of Chicago, which has approximately 18,000 vacancies, augmented their existing vacant property registry program in July 2011 to require lender registry and maintenance of vacant properties. The maintenance aspect of the ordinance has recently been challenged in Federal court by the Federal Housing Finance Agency (FHFA). The Chicago registry is broader than most in that it requires lender registry and maintenance for all vacant properties, including those undergoing foreclosure. In the lawsuit, FHFA contentions include claims that the imposition of maintenance responsibilities on Fannie Mae and Freddie Mac prior to completion of foreclosure violates property rights, Federal preemption laws, and constitutional principles and causes a loss of the assets of both agencies. News accounts indicate that FHFA is scrutinizing other jurisdictions, including a recent foreclosure registry enactment in Las Vegas, to determine the merits of further legal challenges.

Options

Upon consideration of all the information gathered, the following options have been developed for consideration by your Board.

Option 1 - Developing a new proactive tracking system to inspect and monitor all properties in the foreclosure process.

Expand and modify existing code enforcement programs to develop a registry program using best practices of successful registry programs that proactively identify, inspect, and monitors properties in the foreclosure process. This will require the development of a registry ordinance and an electronic method of identifying each NOD with a specific property. Based on the number and scattered positioning of the current 2,736 defaulted properties, Public Works estimates ten inspectors would be required and related support staff, including two clerical staff, one IT specialist, and one supervisor. The estimated cost would be \$2 million annually for the increased staffing/workload. We estimate ordinance development would take approximately six months.

Option 2 – Enhancing current code enforcement programs through the use of foreclosed property data from the Assessor.

Direct the Assessor to provide Public Works with monthly updates of properties in foreclosure. Based on the Assessor's list, Public Works will generate an application to display localized maps of properties in the foreclosure process. Public Works

inspection staff will be given access to the maps to identify areas of foreclosure activity. Once clusters of localized activity, which create worst-case scenarios, are identified, staff will conduct a proactive inspection of the area to determine whether or not properties are being maintained in conformance with County codes. Based on current foreclosure rates, Public Works believes existing staffing is adequate to manage this workload. Public Works will notify the Chief Executive Office and the Board should the workload expand beyond existing resources so that the Board can determine whether further resources should be allocated. If the need arises for an intensive abatement program, Public Works will approach the Chief Executive Office to request additional funding for staff to be supplied through a combination of reassigning permanent employees and the use of contract labor.

Recommendation

Our recommendation to the Board is to initially implement Option 2. This option allows continued use of existing staff and procedures. The Assessor reports that the number of foreclosures Countywide in the year 2011 has dropped by 13 percent from the previous year and by 23 percent since the peak high in 2008. Also in 2011, the assessed valuation for parcels in the unincorporated areas has increased by \$1.05 billion (1.3 percent) over the previous year. Thus far, the County has been able to efficiently respond to substandard foreclosed and nonforeclosed properties in a cost-effective manner using existing staff and procedures. Public Works will monitor the situation and report back in six months as to the effectiveness of the continued operation.

If you have any questions or require additional information, please contact me or your staff may contact Dennis Hunter at (626) 458-4006 or dhunter@dpw.lacounty.gov.

RP:II

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cc: Assessor
Chief Executive Office
Community Development Commission
Department of Consumer Affairs
County Counsel
Executive Office
Department of Public Health
Department of Regional Planning
Department of Registrar-Recorder/County Clerk



GAIL FARBER, Director

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B-0
A3734-2

December 21, 2011

TO: Each Supervisor

FROM: Gail Farber *Gail Farber*
Director of Public Works

BOARD MOTION OF SEPTEMBER 27, 2011, AGENDA ITEM 15 - INTERIM REPORT THE FEASIBILITY OF IMPLEMENTING A PROACTIVE TRACKING SYSTEM FOR DEFAULTED OR FORECLOSED PROPERTIES IN THE UNINCORPORATED COUNTY

On September 27, 2011, your Board directed the Department of Public Works, in conjunction with appropriate departments including Regional Planning, Public Health, Registrar-Recorder/County Clerk, County Counsel, and the Chief Executive Office, to report back on the feasibility of implementing a proactive tracking system for defaulted or foreclosed properties in the unincorporated County. We are working with County Counsel and the other departments, including the Department of Consumer Affairs and the Assessor to complete the report. We are incorporating the comments received and will finalize our report by January 23, 2012.

If you have any questions or require additional information, please contact me or your staff may contact Dennis Hunter at (626) 458-4006 or dhunter@dpw.lacounty.gov.

RP:II

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cc: Assessor
Chief Executive Office
Department of Consumer Affairs
County Counsel
Department of Public Health
Department of Regional Planning
Department of Registrar-Recorder/County Clerk



GAIL FARBER, Director

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REFER TO FILE:

B-0
A3734-1

November 23, 2011

TO: Each Supervisor

FROM: Gail Farber *Gail Farber*
Director of Public Works

BOARD MOTION OF SEPTEMBER 27, 2011, AGENDA ITEM 15 - INTERIM REPORT THE FEASIBILITY OF IMPLEMENTING A PROACTIVE TRACKING SYSTEM FOR DEFAULTED OR FORECLOSED PROPERTIES IN THE UNINCORPORATED COUNTY

On September 27, 2011, your Board directed the Department of Public Works, in conjunction with appropriate departments including Regional Planning, Public Health, Registrar-Recorder/County Clerk, County Counsel, and the Chief Executive Office, to report back on the feasibility of implementing a proactive tracking system for defaulted or foreclosed properties in the unincorporated County. In conjunction with County Counsel and the other departments, including the Department of Consumer Affairs and the Assessor, the following interim report has been prepared to update you on the efforts to address your Board's directive. A final report will be submitted to your Board by December 23, 2011.

State law requires lenders to record Notice of Default documents with the County Registrar-Recorder's office. The Registrar-Recorder reports that while the County has these records, there is currently no automated system to provide this information to other County departments. Further, as Notice of Default documents do not have a specific property identifier, such as address or assessor's parcel identification number, extracting such data would be a lengthy, labor-intensive manual process. Research indicates there are a number of vendors that can provide an automated subscription service to identify properties in the unincorporated County that are in the preforeclosure or foreclosure process. The fees for such services range from approximately \$50 to \$360 annually.

The ability of County staff to use such data to proactively manage the maintenance of foreclosed properties is limited. Although there is no official estimate of properties in the unincorporated County currently in the foreclosure process, Internet sites claim that as of October 11, 2011, there are approximately 44,000 properties in the County of Los Angeles that are either in default, bank owned, or planned for auction. It is not unusual for homes that are in the foreclosure process to sit vacant and unkempt for a length of time. Foreclosures complicate the issue of property maintenance because the homeowner may not have the means or incentive to maintain the property and the lender does not yet hold the title. These properties can potentially discourage buyers of adjacent maintained homes, devalue neighboring properties, and decrease the quality of life for the surrounding community. Unfortunately, a physical inspection is the only way to determine which of these properties are not being maintained. Historically, the County's approach to substandard properties has been to concentrate on prompt response to community complaints in lieu of proactive identification of such properties. This has proven an efficient allocation of resources and staff response has been within 24 hours depending on the seriousness of the complaint.

California is a nonjudicial foreclosure state, so there is no need for a court action to initiate a foreclosure. The foreclosure process begins with the lender recording a Notice of Default (NOD), which is public notification that the property owner has missed one or more monthly mortgage payments. The NOD can be recorded no less than 30 days after owner notification. The owner then has 90 days to cure the default through repayment or modification of the terms of the loan. If the default is not cured, the lender will then record a Notice of Trustee Sale. The Trustee Sale is a public auction and cannot occur any less than 20 days after the public notice. The minimum timeline to complete a foreclosure is 120 days; however, it can often take longer to conclude the default process.

Some properties that are abandoned in conjunction with a default or foreclosure proceeding may remain vacant for an extended period of time before and/or after the Trustee Sale. Property is considered abandoned when the owner has voluntarily relinquished or disclaimed ownership. Some of these vacant properties are not maintained to minimum required standards and are in violation of County Codes.

County personnel have limited resources to proactively inspect and monitor all vacant defaulted or foreclosed properties throughout the County. Our current process is to immediately respond to any complaint regarding the substandard maintenance of such properties. Staff will investigate the complaint and attempt to gain corrective action through the party responsible for maintaining the property. The process of gaining compliance is dependent on the condition of the property upon inspection.

When a building is vacant and unsecured, an attempt is made to identify and contact the property owner or a responsible party to secure the building immediately. If contact is made, the property owners are given 24 hours to secure the property. Should the owner fail to comply with the 24-hour deadline and the building is determined an immediate hazard, the County will take abatement action to secure the structure. The property will be monitored by County staff and the cost of the board-up will be billed to the property owner.

When a vacant property is identified as unsightly due to lack of maintenance, County staff will post a notice at the property identifying those conditions requiring attention. We will then conduct a title search to identify the party responsible for control of the property and notify the party of their obligation to bring the premises into compliance with County Codes. This enforcement procedure follows due process and may take up to two months to gain compliance. If the property owners are unresponsive, the County will perform the clean-up and bill the owner for the work.

Some local jurisdictions have instituted registry programs for properties going through the default process. These programs require lenders to perform a predefault inspection of the property and to register the property with the jurisdiction. Thereafter, the lender must perform periodic inspections to confirm the property is occupied and that maintenance is ongoing. Some jurisdictions require the lender to identify a local management company responsible to perform property maintenance.

For example, the City of El Monte approved a Foreclosed Property Urgency Ordinance in 2008 that was to sunset in 2010. The City then approved a Revised Foreclosed Property Ordinance in 2010 that extends the program until 2012. The ordinance requires that within 10 days of recording an NOD and every 30 days thereafter, lenders are required to inspect properties to verify occupancy. If a property is observed to be vacant, then the lender must register with the City and pay a \$198 fee and a \$200 deposit, maintain the property to local standards, hire a local company to conduct weekly inspections, and post a 24-hour phone number for property maintenance and security concerns. There is also a fine for failure to timely register a property (from \$250 to \$1,000). Subsequent annual registrations are required for as long as the property remains vacant and unsold. The City of El Monte reports approximately 500 property registrations.

Each Supervisor
November 23, 2011
Page 4

The City of Los Angeles adopted a Foreclosure Registry Program in 2010. Lenders must register with the City and pay an annual fee of \$155 within 30 days of the recordation of an NOD. The registration must include the name of a local company responsible for the maintenance and security of the property. The City charges a fine for failure to timely register a property (\$250 a day) and can choose to enforce these requirements through administrative citations and criminal prosecution. This program is managed by dedicated staff at the City of Los Angeles Housing Department.

To date, we have shared our initial findings with the involved departments as directed. We are currently in the process of concluding our research, communicating and sharing information with the departments, and collecting input. We expect to schedule a meeting during the first week of December with key staff from the departments. We will submit our final report to your Board by December 23, 2011.

In the meantime, if you have any questions or require additional information, please contact me or your staff may contact Dennis Hunter at (626) 458-4006 or dhunter@dpw.lacounty.gov.

RP:ll
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cc: Assessor
Chief Executive Office
Department of Consumer Affairs
County Counsel
Department of Public Health
Department of Regional Planning
Department of Registrar-Recorder/County Clerk

A3734
B&S



**STATEMENT OF PROCEEDINGS FOR THE
REGULAR MEETING OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF LOS ANGELES HELD IN ROOM 381B
OF THE KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, LOS ANGELES, CALIFORNIA 90012**

Tuesday, September 27, 2011

9:30 AM

15. Recommendation as submitted by Supervisor Knabe: Direct the Director of Public Works to work with the appropriate County departments including: Regional Planning, Public Health, Registrar-Recorder/County Clerk, County Counsel and the Chief Executive Office to research the feasibility of implementing a proactive tracking system for defaulted/foreclosed properties in the unincorporated County and report back to the Board within 60 days. (11-4227)

On motion of Supervisor Knabe, seconded by Supervisor Antonovich, this item was approved.

Ayes: 5 - Supervisor Molina, Supervisor Ridley-Thomas, Supervisor Yaroslavsky, Supervisor Knabe and Supervisor Antonovich

Attachments: Motion by Supervisor Knabe
Report
Video
Audio

The foregoing is a fair statement of the proceedings of the regular meeting held September 27, 2011, by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

Sachi A. Hamai, Executive Officer
Executive Officer-Clerk
of the Board of Supervisors

By _____

September 27, 2011

The US subprime mortgage crisis and subsequent recession led to millions of Americans losing their homes through foreclosure. Since 2008, foreclosures across Los Angeles County have risen dramatically. We all hope that this trend will end as economic recovery occurs, but the lack of management of these properties and the subsequent negative impacts of them have become a real issue for this County.

In the Los Angeles County, the way we manage a foreclosed/abandoned home is strictly reactive. Our offices get complaints from nearby residents on problems that have gone unattended for months, and this is often after considerable frustration and aggravation for a lack of a proactive approach to this problem.

It is the responsibility of owners, which are often banks, to manage these properties, but this maintenance often does not take place. Blighted and unkempt homes can lower property values, lead to increased crime, and decrease the quality of life for the surrounding neighbors. Owners/banks are required by law to maintain these properties, and we should hold them accountable to do so.

- M O R E -

MOTION

MOLINA _____

RIDLEY-THOMAS _____

YAROSLAVSKY _____

KNABE _____

ANTONOVICH _____

Many jurisdictions have begun creating registries that can track these homes early on in the foreclosure process. By tracking these homes proactively, we can better assure that they are being appropriately maintained.

I, THEREFORE, MOVE that the Board of Supervisors direct the Department of Public Works to work with the appropriate County departments, including: Regional Planning, Public Health, Registrar-Recorder/County Clerk, County Counsel and the Chief Executive Office to research the feasibility of implementing a proactive tracking system for defaulted/ foreclosed properties in the unincorporated County and report back to the Board in 60 days.

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AN:eg